

OFFICE OF THE STATE AUDITOR

Timothy M Keller



East & West Sanodval Acequia

Independent Accountant's Report on Applying Agreed-Upon Procedures

Fiscal Year Ended December 31, 2014

**East and West Sandoval Acequia
Table of Contents
Fiscal Year Ended December 31, 2014**

	<u>Page</u>
Table of Contents	1
Official Roster	2
Independent Accountant's Report	3
Schedule of Capital Outlay Awards to Acequia	6
Schedule of Findings and Responses	7
Exit Conference	10

**East and West Sandoval Acequia
Official Roster
Fiscal Year Ending December 31, 2014**

Board of Commissioners

Gilbert Sandoval, Chairman
Christopher Tolleson, Secretary
Michael Revak, Treasurer

Mayordomos

None *

Administrative Staff

None

*: No mayordomo, however, Mr. Gilbert Sandoval, Chairman, acts as mayordomo if there is in fact a need.



Timothy M. Keller
State Auditor

Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

Independent Accountant's Report on Applying Agreed-Upon Procedures

Gilbert Sandoval, Chairman
and Members of the Board of Commissioners
East and West Sandoval Acequia
P.O. Box 61
Jemez Springs, New Mexico 87025

We have performed the procedures enumerated below for the East and West Sandoval Acequia (Acequia) for the year ended December 31, 2014, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 3 entity per Section 12-6-3 B (3) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Acequia through the New Mexico Office of the State Auditor. The Acequia's management is responsible for its accounting records and the subject matter. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

1. Test all state-funded capital outlay expenditures.

- a. Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.

All of the cash disbursements for the capital award projects were tested. The amounts disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check with one exception discussed in Finding 2014-001 on page 7.

- b. Determine that cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.

The Acequia is not required to submit a budget to the Department of Finance and Administration – Local Government Division. However, a project budget is required to be submitted by the terms of the agreements with the NM Office of the State Engineer Interstate Stream Commission (OSE/ISC) to the OSE/ISC. The cash disbursements tested were properly authorized and approved in accordance with the project budget, legal requirements and the Acequia's policies and procedures.

- c. Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

For the work done on the ditch improvement and repair projects, the Acequia advertised, obtained bids and quotes where necessary, and entered into contracts and purchase agreements in accordance with its procurement policies and applicable state laws and regulations with one exception discussed in Finding 2014-002 on page 8.

- d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.

The repair work was physically observed during a tour of the East & West Sandoval Acequia on May 28, 2015.

- e. Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.

The Acequia did not maintain a complete general ledger. The amounts on the reimbursement forms agreed with other supporting documentation. Status reports were not required by the terms of the agreements with the OSE/ISC. The Acequia submitted the required budgets and reimbursement forms for the projects to the OSE/ISC. See Finding 2014-003 on page 9.

2. If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.

The projects were not funded in advance. The Acequia was required to submit reimbursement forms to the OSE/ISC upon completion of work on the project. The Acequia paid for its project expenditures before the Acequia received checks from the OSE/ISC when feasible and when it wasn't feasible the Acequia paid for expenditures after the Acequia received checks from the OSE/ISC.

3. If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.

As shown in Exhibit 1 on page 6, the Acequia expended two capital outlay appropriations. The Acequia expended a total of \$82,635 of one appropriation and a total of \$116,000 of the other appropriation. For each appropriation, the cash amounts received equaled the amount of expenditures. Therefore, the Acequia had no unexpended cash balance to revert.

4. Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.

The checks received from the OSE/ISC were deposited in the Acequia's checking account at Jemez Valley Credit Union. The capital outlay award agreement did not require a separate fund or separate non-interest bearing bank account to deposit the amounts received.

5. Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

The Acequia paid for its project expenditures before the Acequia received checks from the OSE/ISC when feasible. When it was not feasible the Acequia filed Request for Reimbursement Forms with the OSE/ISC based on unpaid invoices submitted to the Acequia by vendors who had

performed work on Acequia projects. The costs were not paid by the Acequia prior to the request for reimbursement because the Acequia did not have the necessary funds. The Acequia paid for its project expenditures after the checks were received from the OSE/ISC. A finding was not considered necessary since the Acequia complied with the OSE/ISC's reimbursement procedures requirements.

6. If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (I)(3)(C) NMAC.

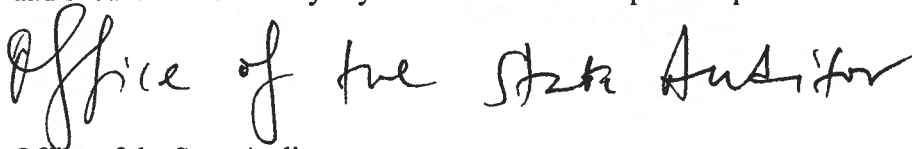
See Findings 2014-001 through 2014-003 on pages 7-9 of this report.

7. The report shall include the capital outlay amount awarded, amount received, amount expended, the remaining balance, and the actual legislation and effective dates for each capital outlay appropriation that meets the Tier 3 criteria.

See Exhibit 1 — Schedule of Capital Outlay Awards to Acequia on page 6 of this report.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Tier 3 agreed upon procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Acequia, the NM Office of the State Auditor, the NM Office of the State Engineer, the NM Department of Finance and Administration — Local Government Division, and the NM State Legislature and is not intended to be and should not be used by anyone other than these specified parties.



Office of the State Auditor
May 28, 2015

East and West Sandoval Acequia
Exhibit 1 – Schedule of Capital Outlay Awards to Acequia

	Note 1	Note 2	Total
Amount Awarded for Project	\$100,000	\$116,000	\$216,000
Amount Received by Acequia	82,635	116,000	198,635
Amount Expended by Acequia	<u>(82,635)</u>	<u>(116,000)</u>	<u>(198,635)</u>
Remaining Balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Agreement Provisions

Note 1: Capital Appropriation Project Agreement between the NM Office of the State Engineer (OSE), Interstate Stream Commission (ISC), and East Sandoval Acequia

Legislative Authority: 2007 NM Laws, Chapter 42, Section 67, Item 60 (GF) and 2010 NM Laws, Chapter 105, Section 18A, Subsection 10, Item j.

Date of Agreement with NM OSE/ISC: December 11, 2008

Project Description: To plan, design, and construct a diversion dam on the Jemez River for acequias in Jemez Springs in Sandoval County.

Estimated Project Cost: \$100,000

Agreement termination/reversion date: July 1, 2011
 Extended termination/reversion Date: June 30, 2014

Note 2: Capital Appropriation Project Agreement between the NM Office of the State Engineer (OSE), Interstate Stream Commission (ISC), and East Sandoval Acequia

Legislative Authority: 2007 NM Laws, Chapter 42, Section 67, Item 62 (GF) and 2010 NM Laws, Chapter 105, Section 18A, Subsection 10, Item k.

Date of Agreement with NM OSE/ISC: December 11, 2008

Project Description: To plan, design, and construct a diversion dam on the Jemez River for acequias in Jemez Springs in Sandoval County.

Estimated Project Cost: \$116,000

Agreement termination/reversion date: July 1, 2011
 Extended termination/reversion Date: June 30, 2014

**East and West Sandoval Acequia
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2014**

Status of Prior Year Findings

None.

Current Year Findings

2014-001 – Error in Reimbursement Calculation

Condition:

During our testwork over capital outlay expenditures OSA noted the San Ysidro Community Ditch had been paid for two invoices prior to requesting the reimbursement from OSE/ISC. These two invoices totaled \$3,550. When the Acequia reimbursed San Ysidro Community Ditch, they paid them \$3,500. There was a clerical error in the calculation of \$50.

Criteria:

Section 6-10-2 NMSA 1978, states “It is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business.”

Effect:

San Ysidro Community Ditch was under paid by \$50.

Cause:

The reimbursement amount was incorrectly calculated.

Recommendation:

The Acequia should pay San Ysidro Community Ditch the \$50 as soon as possible. Also, when acting in a fiscal agent capacity the Acequia should ensure that all capital outlay expenditures are reimbursed properly.

Management's Response:

A money order in the amount of \$50 to San Ysidro to close this error will be done.

**East and West Sandoval Acequia
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2014**

2014-002 – Lack of Documentation over Procurement

Condition:

In one instance totaling \$15,778 the Acequia could not provide quotes to support that the expenditure followed the procurement code.

Criteria:

Capital Project Agreement pursuant to 2007 NM Laws, Chapter 42, Section 67, Item 60 (GF) states the Acequia will comply with the State Procurement Code and will keep files of all related procurement documents, including but not limited to, bids, advertisement, minutes of pertinent meetings, selection and award criteria, as well as contracts, subcontracts and agreements.

Effect:

This resulted in a violation of the State Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

Cause:

The Acequia was unaware of this requirement.

Recommendation:

The Acequia should implement policies and procedures pertaining to the application of the New Mexico Procurement Code and Purchasing Regulations and retention of all supporting documents for Capital Outlay Appropriations.

Management's Response:

In the future all verbal quotes will be documented. Contractors outside immediate area charge move-in move-out costs and usually cannot compete with local contractors.

**East and West Sandoval Acequia
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2014**

Finding 2014-003 No General Ledger to Record Financial Transactions

Condition:

The Acequia does not have a complete general ledger or cash receipts or disbursements journal to record the financial transactions of the capital outlay awards and related projects.

Criteria:

Section 6-10-2 NMSA 1978, states "It is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business."

Effect:

Financial reporting errors and fraud could occur if complete and accurate records and check registers are not maintained by the Acequia. In addition, the Acequia may not be able to demonstrate compliance with laws, regulations, and agreements.

Cause:

The commissioners of the East and West Sandoval were not aware that a complete check register and separate general ledger or a cash receipts or disbursement journal should be maintained to account for transactions.

Recommendation:

The Acequia should maintain a general ledger to records its assets, liabilities, revenues and expenditures and a cash receipts and disbursements journal to record the purpose and details for all cash received and disbursed by the Acequia.

Management's Response:

I am thankful for sample ledger – I will use in the future.

**East and West Sandoval Acequia
Exit Conference
Fiscal Year Ended December 31, 2014**

On May 28, 2015 an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

East and West Sandoval Acequia

Gilbert Sandoval, Chairman

Office of the State Auditor

U. Chan Kim, CPA, Audit Manager